



October 29, 2015
Christopher L. LaGrand
Michigan State Housing Development Authority
P.O. Box 30044
Lansing, Michigan 48909

Re: Michigan 2017-2018 Qualified Allocation Plan

Dear Mr. LaGrand:

These comments are submitted by the Natural Resources Defense Council (NRDC). NRDC along with the National Housing Trust (NHT), Elevate Energy, and additional partners launched the “Energy Efficiency for All” initiative in 2013. Our goal is to scale up energy efficiency investment in affordable multifamily housing. We look forward to continuing to work with the Michigan State Housing Development Authority to achieve this goal.

We support the steps that MSHDA has already taken to increase the energy efficiency of affordable housing in Michigan; requiring properties to meet MSHDA affordable green standards, or integrate features from Enterprise Green Communities or LEED rating systems, and including properties that meet a certain energy efficiency standard among those developments eligible for a basis boost. We also commend MSHDA for its participation in a pilot with New Ecology to encourage building owners to benchmark energy usage and calculate utility allowances based on actual consumption data.

We encourage MSHDA to consider including additional measures to increase the energy efficiency of rehabilitation projects supported through the allocation of tax credits. Specifically, we encourage MSHDA to incorporate the following into the QAP:

1. Consider requiring rehabilitation projects to complete an energy consultation or audit as a condition of eligibility for tax credits for rehabilitation projects. The development team should be required to consult a certified energy efficiency professional for an energy audit in order to identify and consider all cost-effective energy savings opportunities, from the building owner’s perspective, for the property’s rehabilitation scope. This approach has been taken in several states, including:

- The **Missouri Housing Development Commission** requires multifamily rehabilitation projects over 12 units seek an energy audit to help owners identify and consider all cost-effective energy savings improvements that could be incorporated into the property’s rehabilitation scope.

- The **Iowa Finance Authority** requires tax credit applicants to engage an energy consultant prior to submitting a LIHTC application to identify cost-effective energy improvements that could be included as a part of the rehabilitation project.
- The **Maryland Department of Housing and Community Development** requires an energy audit to identify energy conservation measures with a Savings to Investment Ratio of 2.0 or greater, or those measures that will result in an overall energy savings of 15% or greater over pre-retrofit levels.

2. Adopt points to encourage performance-based energy savings in rehabilitation projects that seek an allocation of tax credits. In order to encourage comprehensive retrofits, MSHDA should consider incentives for applicants that demonstrate that they will achieve a certain level of energy savings above a pre-retrofit baseline. This will encourage developers to combine cost-effective technologies and optimize the performance of the building as a whole.

- The **Maryland Department of Housing and Community Development** awards points to rehabilitation projects that will result in an overall energy savings of 20-30% greater than pre-retrofit levels. Points are awarded if the energy audit (discussed above) shows energy conservation measures that result in an overall energy savings of 20% to earn 1 point and 30% to earn 3 points, as verified by a RESNET/BPI rater.
- The **California Tax Credit Allocation Committee** awards points to rehabilitation projects that improve energy efficiency over the current usage based on the following scale: 10 points – 30% improvement over current; 7 points – 25% improvement over current; 5 points – 20% improvement over current; or 3 points – 15% improvement over current. Applicants must submit a completed Sustainable Building Method Workbook and the energy analysis report from the appropriate performance module of California Energy Commission approved software, completed by California Association of Building Energy Consultants (CABEC) Certified Energy Analyst (CEA), which shows the pre- and post-rehabilitation estimated Time Dependent Valuation (TDV) energy use demonstrating the required improvement. The pre-rehabilitation conditions shall be established using the Sustainable Building Method Workbook's CTCAC Existing Multifamily Assessment Protocols and reported using the CTCAC Existing Multifamily Assessment Report Template, signed by a qualified HERS Rater.
- The **Arizona Department of Housing** awards up to ten points for projects that follow the performance-based path for energy efficiency based on the Home Energy Rating System (HERS) index. Rehabilitation projects following the performance-based path must have a HERS Rater evaluate the building to establish a HERS Index for the existing building condition, then prepare an energy improvement report identifying cost-effective energy improvements that achieve a minimum of fifteen percent reduction in energy use over the existing building condition. One point will be awarded for each HERS Index point reduction below the baseline. The projected, pre-construction HERS index must be submitted once construction drawings have been completed and the final confirmed HERS Index must be submitted at 8609 submission.

3. Consider requirements or incentives that reward projects that commit to benchmarking the energy use of the property for the life of the applicable tax credits. Energy is often the highest variable

operating cost in affordable housing, materially affecting both owners and residents. Benchmarking the energy performance of buildings for the life of the applicable tax credits will allow owners to track the energy performance of their building. This helps owners and MSHDA identify energy efficiency improvements, track efficiency investments to see if measures have realized their expected energy savings, and make adjustments to energy efficiency policies in the future.

Benchmarking makes the business case for improving the energy efficiency and sustainability of the housing in which MSHDA invests, either by loans or via the allocation of equity. These properties need to stand the test of time. That means the properties must, on a continuous basis, meet debt service, reserves and other essential expenses. Adding incentives for benchmarking can help ensure cost-effective energy savings and help maintain MSHDA's interest and its own investments. And, benchmarking can provide additional benefits that simplify owners' responsibilities in collecting tenant energy usage data, as MSHDA has seen through its benchmarking/utility allowance pilot.

- **The New Jersey Housing and Mortgage Finance Authority** awards additional points in its QAP to developers who commit to participate in its benchmarking initiative. Developers are eligible to receive the points if they submit a signed energy benchmarking utility release form for all common meters (gas, oil, and electric, etc.), provide certain project data (square footage per building, mechanical systems installed, etc.), and signed energy benchmarking utility release forms for a minimum of 75% of tenants.
- In 2014, **Rhode Island Housing** coordinated with National Grid to develop a benchmarking pilot that included 400 affordable multifamily housing properties. Results from the pilot will inform National Grid's expansion of benchmarking services to additional multifamily customers and as a tool for more advanced project targeting and to help increase program cost-effectiveness. In addition, Rhode Island Housing has included language in its 2016 draft QAP that will award points to projects that commit to benchmarking all owner and tenant-paid utilities.

3. MSHDA should continue collaborating with the utilities and program administrators operating in the state. We commend MSHDA for its collaboration with Consumers Energy and other stakeholders working to establish a one-stop shop multifamily energy efficiency pilot. We strongly encourage MSHDA to maintain regular collaboration with utility companies in the state to continue to help affordable owners access energy efficiency programs and incentives, and to ensure programs are accessible to MSHDA-sponsored properties.

State housing finance agencies are well-positioned to help utilities and other efficiency program administrators improve how their programs reach affordable housing, and HFAs across the country are increasingly working with utilities efficiency program administrators to improve energy efficiency programs and help owners access utility-sponsored energy efficiency resources. For example,

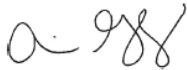
- **Minnesota Housing** requires developments seeking tax credits to submit an Energy Rebate Analysis with their application, detailing a list of utility-sponsored, local, regional, or federal energy efficiency rebates for which the property is eligible.
- The **Maryland Department of Housing and Community Development** is providing financial assistance to owners through the Multifamily Energy Efficiency and Housing Affordability program which is funded by the state's investor-owned utilities.

- The **Wisconsin Housing and Economic Development Authority** awards points to developers who participate in a Focus on Energy Consultation to review the proposed development for possible energy savings and incentives. Focus on Energy is Wisconsin utilities' energy efficiency and renewable resource program.
- The **Connecticut Housing Finance Agency** requires applicants to submit an Energy Conservation Plan that includes information regarding the applicant's efforts to pursue other energy efficiency-related funding opportunities including utility-sponsored incentive commitments.

The Natural Resources Defense Council commends the Michigan State Housing Development Authority for its support of energy efficiency. As you begin to draft the 2017-2018 Qualified Allocation Plan, we would be happy to help flesh out these ideas or provide other examples of how other states are improving the energy efficiency of properties receiving Low Income Housing Tax Credits. Thank you for considering these comments, and we look forward to continuing to work with MSHDA on the Energy Efficiency for All Initiative.

Sincerely,

Ariana Gonzalez

A handwritten signature in black ink, appearing to read 'A. Gonzalez'.

Natural Resources Defense Council

NATURAL RESOURCES DEFENSE COUNCIL

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